Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009
Frequently Asked Questions

The purpose of this document is to provide answers to a number of questions ***("FAQs")*** *about the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the* **"ELG Scheme"**) *which commenced on 9 December 2009.*

This document is for reference and clarification purposes only, and should not be relied upon as constituting financial advice or legal advice. It has no legal effect and does not form part of the ELG Scheme. It does not alter the terms of the ELG Scheme or any other document relating to the ELG Scheme.

Parts A *of these FAQs provides general background to the ELG Scheme.*

Part B *is of particular relevance to depositors.*

Part C *is relevant to investors in debt securities issued by participating institutions.*

Part D *provides further miscellaneous information about the ELG Scheme.*

Prolongation and modification of the ELG Scheme approved by EU Commission on 28 June 2010

The terms of the prolongation and modification of the ELG Scheme, which were approved by the EU Commission on 28 June 2010, provide that the issuance period of the ELG Scheme will continue to 29 September 2010'. Beyond this date, the EU Commission has also approved a modification of the ELG Scheme to provide for a prolongation of the issuance period from 29 September 2010 to 31 December 2010 for liabilities of between three months and five years duration (other than interbank deposits). In addition, the issuance period for retail deposits will be prolonged to 31 December 2010 for deposits of any duration up to five years. Further details are set out at Q2 below.

The FAQs below are now updated to reflect the extended issuance periods.

A. Background to the ELG Scheme

1. ***What is the ELG Scheme?***

The ELG Scheme updates and revises the bank guarantee under the Credit Institutions (Financial Support) Scheme 2008 (**the "2008 CIFS Scheme").**

The ELG Scheme commenced on 9 December 2009 and is subject to ongoing six (6) monthly approval by the European Commission under State aid rules.

The ELG Scheme guarantees certain deposits made with participating credit institutions between the date the institution joined the ELG Scheme and 31st December 2010 (please see below for a list of participating credit institutions and the dates they joined the ELG Scheme). Deposits guaranteed under the ELG Scheme can have a maturity extending beyond 31st December 2010.

This guarantee means that in the event of the participating credit institution defaulting, the Minister will pay an amount equal to the unpaid guaranteed deposits. The ELG Scheme does not affect any other rights or claims of creditors.

The next review of the ELG Scheme will take place in advance of 31 December 2010. The result of any such review will not affect the status of guaranteed liabilities already in place.

2. ***What does the ELG Scheme guarantee and what is the effect of the prolongation and modification of the ELG Scheme?***

Under the ELG Scheme the Minister for Finance of Ireland can guarantee:

• deposits (see section B below for more information); and

• debt securities (see section C below for more information),

incurred by participating institutions (see current list at Q3 below) during the issuance period from the date they joined the ELG Scheme up to the following dates:

Type of liability	Issuance period end dates as at end June 2010
Debt liabilities of less than 3 months maturity (short term instruments, e.g. Certificates of Deposit, "CD" and Commercial Paper, "CP")	to 29 September 2010
Debt liabilities with maturities of 3 months to 1 year (Short term instruments, e.g. CD and CP)	to 31 December 2010 (extension from 29 September 2010)
Debt liabilities with maturities of greater than 1 year	**to** 31 December 2010 (extension from 29 September 2010)
Interbank deposits	**to** 29 September 2010
Corporate deposits	**to** 29 September 2010 for corporate deposits with **a** maturity of less than three months to 31 December 2010 for corporate deposits with a maturity of three months or greater (extension from 29 September 2010)
Retail deposits	to 31 December 2010 (extension from 29 September 2010)

The guarantee under the ELG Scheme subsists to the maturity of the eligible liability issued during the relevant issuance period up to a maximum maturity of five years.

3. Which banks or building societies are members of the ELG Scheme ('participating institutions')?

Participating Institution	Date joined ELG Scheme
Irish Life and Permanent plc	04/01/2010
Bank of Ireland	11/01/2010
The ICS Building Society	11/01/2010
Bank of Ireland Mortgage Bank	11/01/2010
Allied Irish Banks, p.l.c.	21/01/2010
Anglo Irish Bank Corporation Limited.	28/01/2010
EBS Building Society	01/02/2010
Irish Nationwide Building Society	03/02/2010
and	
Irish Permanent (I.OM) Limited	04/01/2010
Bank of Ireland (I.O.M) Limited	11/01/2010
AIB Group (UK) p.l.c.	21/01/2010
AIB Bank (CI) Limited	21/01/2010
AIB Banks North America Inc.	21/01/2010
Anglo Irish Bank Corporation (International) plc.	28/01/2010
Irish Nationwide (I.O.M.) Limited	03/02/2010

B. Deposits

4. ***What guarantee applies for deposits of up to* £50,000 for individuals, or £20,000 for most other categories of depositor?**

Most deposits will continue to be guaranteed under the existing Isle of Man Depositors Compensation Scheme (the **"DCS")** which covers 100% of deposits with all credit institutions authorised in the Isle of Man (including credit unions) up to a maximum of £50,000 per qualifying individual per institution, or £20,000 for most other categories of depositor.

The DCS guarantee does not have an end-date.

The ELG Scheme (and the 2008 CIFS Scheme) only guarantees the balance of retail deposits in the participating institutions (see Q3 above) ***over*** the limit of the DCS.

A private individual with a deposit of less than £50,000 is guaranteed solely under the DCS. If, however, the same individual has a deposit of over £50,000, the first £50,000 will be guaranteed under the DCS and the balance that exceeds £50,000 will be guaranteed under the ELG Scheme or the 2008 CIFS Scheme.

For most other types of depositors, the above is true, but only the first £20,000 is guaranteed under the DCS.

5. ***What guarantee applies for retail deposits in excess of the limits under the DCS?***

As noted above, the ELG Scheme (and the 2008 CIFS Scheme) only guarantees the balance of deposits over the applicable limit of the DCS.

The balance in **on demand accounts** or **current accounts** in an ELG Scheme participating institution (see list above at Q3) in excess of £50,000 will be guaranteed until 31 **December** 2010 regardless of the date the account was opened.

The balance on fixed term deposits in excess of £50,000 opened with a participating institution during a period from the date the participating institution joined the ELG Scheme up to 31 December 2010 will be guaranteed for the full term of the deposit, up to a maximum deposit term of five years.

For example, a two year fixed term deposit of £150,000 opened with a participating institution on 30th April 2010 is guaranteed for the full two years of the term i.e. until 30 April 2012.

The balance on fixed term deposits in excess of £50,000 opened **before the date the participating institution joined the ELG Scheme** will be guaranteed under the 2008 CIFS Scheme until 29 September 2010.

The guarantee for notice accounts is similar to that for on demand accounts, except that the guarantee will also last for any notice period if notice of withdrawal is made before 31 December 2010.

As described in Q4 above, qualifying deposits of up to £50,000 will remain protected under the DCS and the ELG Scheme will only apply to deposit balances over £50,000 or in relation to deposits where the DCS does not apply at all.

6. **What guarantee applies for corporate deposits?**

The ELG scheme will cover deposits over the limit of £20,000 which are covered under the DCS.

The ELG Scheme applies to corporate deposits in the same way as for retail deposits until 29 September 2010.

Thereafter, the ELG Scheme will only apply to corporate deposits with a maturity of *3* months or more made with a participating institution from 30 September to 31 December 2010. Fixed term corporate deposits with a maturity of less than 3 months and on-demand corporate deposits (as well as inter-bank deposits) will not be covered by the ELG Scheme if made post 29 September 2010.

7. ***I have a deposit in a notice account. How does the ELG Scheme apply to my deposit?***

If you have a notice account, your deposit will be guaranteed under the ELG Scheme if your bank or building society is a participating institution under the ELG Scheme.

Once you give a notice of withdrawal to the participating institution and if this notice is made before 31 December 2010, the ELG Scheme will continue to guarantee your deposit until the end of the notice period, even if this extends beyond 31 December 2010.

If a deposit is only partially withdrawn, the remaining amount will be guaranteed in accordance with the terms of the ELG Scheme. Any subsequent withdrawals will also be subject to the principle explained above.

C. Debt securities

8. ***What sort of debt liabilities will be covered by the ELG Scheme?***

The ELG Scheme will cover the following types of debt securities:
• senior unsecured certificates of deposit;
• senior unsecured commercial paper;
• other senior unsecured bonds and notes; and
• other forms of senior unsecured debt which may be specified by the Minister, consistent with EU State aid rules and the EU Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the EU Commission.

9. ***What are the eligibility criteria for a debt security under the ELG Scheme?***

In order to be an eligible liability, a debt security:
• must be incurred between the period from the commencement date of the ELG Scheme to and including 29 September 2010 or 31 December 2010 (see table at Q2 above);
• have a maturity of less than five *(5)* years (and a minimum maturity of three (3) months for certain liabilities (see table at Q2 above));
• must not contain an event of default (howsoever described or constituted) constituted by cross-default or cross-acceleration; and
• must be single currency denominated in one of euro, sterling or US dollars or any other currency approved by the Minister for Finance. A liability issued under a programme may be issued in any currency permitted by the programme documentation.

10. ***How will I know*** *if* ***a debt security is guaranteed under the ELG Scheme?***

An institution will have to apply for a guarantee certificate for each specific debt security that it issues and wishes to be guaranteed under the ELG Scheme. Details of stand-alone issues of debt securities that have been guaranteed under the ELG Scheme are published on the website of the NTMA.

It is also possible for participating institutions to obtain a guarantee certificate for entire programmes and details of these guaranteed programmes will also be published on the NTMA website. All debt securities issued under a guaranteed programme will be guaranteed. The amount of debt incurred under such programmes will be closely monitored and subject to control by the Irish Finance Minister and the NTMA (as scheme operator).

The ELG Scheme allows participating institutions to issue un-guaranteed liabilities, which will help reduce their reliance on State support over time as financial market conditions continue to improve. Therefore, if a participating institution issues a debt security without a guarantee certificate on either a standalone basis or off a programme which is not itself guaranteed, the debt security will not be guaranteed under the ELG Scheme.

11. ***I bought a debt security issued by a "covered institution" which is a "covered liability" under the 2008 CIFS Scheme. Will the debt security now be guaranteed under the ELG Scheme?***

No. The ELG Scheme applies only to newly-issued debt securities. If a debt security is guaranteed under the 2008 CIFS Scheme it cannot be guaranteed under the ELG Scheme. However, it will remain guaranteed under the terms of the 2008 CIFS Scheme until 29 September 2010.

12. ***Entire programmes can be guaranteed under the ELG Scheme. How does this work?***

It is possible for participating institutions to obtain a guarantee certificate for an entire debt issuance programme, e.g. for Euro Medium Term Note, CD or CP programmes. Where an entire programme is guaranteed, each debt security issued under the programme will be guaranteed. Details of these programmes will be included on the website of the NTMA. The Department of Finance and the NTMA will impose strict issuance limits on participating institutions and will monitor very closely the amount of debt issued under guaranteed programmes.

13. Will participating institutions prepare Prospectus Directive compliant prospectuses for guaranteed debt securities?

No. Participating institutions have been instructed not to prepare Prospectus Directive compliant prospectuses. The Department of Finance has issued a direction to participating institutions in relation to the permitted contents of any offering materials relating to debt securities guaranteed under the ELG Scheme.

14. *Will guaranteed debt securities be zero percent risk weighted for capital adequacy purposes?*

Yes. The Financial Regulator has confirmed that debt securities guaranteed under the ELG Scheme will be zero percent risk weighted for capital adequacy purposes.

15. *If the Minister for Finance has to make a payment under the ELG Scheme, will withholding tax apply?*

No. There will not be an obligation on the Minister for Finance to deduct withholding tax in the event of payments being made under the ELG Scheme.

16. *Are dated subordinated debt and covered bonds covered by the ELG Scheme?*

No. New dated subordinated debt and covered bonds entered into by a participating institution once it has joined the ELG Scheme will not be guaranteed. However, dated subordinated debt and covered bonds that are currently guaranteed under the 2008 Scheme will remain guaranteed under the 2008 Scheme until their maturity or 29 September 2010, whichever is sooner.

D. Miscellaneous

17. What has happened to the bank guarantee scheme announced in September 2008?

The 2008 CIFS Scheme remains in place. However, only those “covered liabilities” that were incurred by participating institutions before they entered the ELG Scheme will continue to be guaranteed under the 2008 CIFS Scheme going forward.

18. *Who are the participating institutions?*

See question 3 above. Any update to the names of the participating institutions will be published on the websites of the scheme operator (the NTMA) and the Department of Finance from time to time

19. How long will the guarantee under the ELG Scheme last for?

Liabilities must be incurred during the period from the date the relevant participating institution joined the ELG Scheme to 29 September 2010 or 31 December 2010 (see table at Q2 above).

However, such liabilities can have a maturity of up to five *(5)* years duration and therefore the guarantee could last until 31 December 2015.

The ELG Scheme is subject to six-monthly review and approval by the EU Commission in accordance with EU State aid rules.

20. *Who is going to run the ELG Scheme on a day-to-day basis?*

The National Treasury Management Agency (the **"NTMA")** operates the ELG Scheme on a day-to-day basis on behalf of the Minister for Finance.

21. ***What will the institutions covered by the ELG Scheme pay to the State for the benefit of the guarantee?***

The participating institutions will pay a fee to the Minister for Finance in respect of each liability guaranteed under the ELG Scheme. The fees will be calculated by reference to the European Central Bank recommendations on government guarantees for bank debt dated 20 October 2008. Furthermore, new additional pricing will apply for liabilities incurred from 1 July 2010 in line with the Commission staff working paper dated 30 April 2010 on the 'Application of State Aid Rules on Government Guarantee Schemes covering bank debt to be issued after 30 June 2010'.

Participating institutions will also be required to indemnify the Minister for Finance for any costs and expenses incurred by the Minister and for any payments made by the Minister under the Scheme which relate to the participating institution's guarantee under the ELG Scheme.

22. ***Where can I find out more information on the ELG Scheme or the DCS?***

For further information on the operation of deposit protection in the Isle of Man, see
http://www.gov.im/FSC/investor/dep_comp.xml
For further information on the operation of deposit protection in Ireland, see
For information on the legal details of the ELG Scheme, see
http://www.finance.gov.ie/viewdoc.asp?DocID=5507.
For information on the operation of the ELG Scheme see
http://www.ntma.ie/ELGScheme/CreditInstitutionsELGScheme.php.
For information on the press release in relation to the extension of the ELG:
http://www.finance.gov.ie/viewdoc.asp?DocID=6348&CatID=1&StartDate=1+January+2010&m=

This Guidance Note should not be considered to be a comprehensive summary of the Regulations. A copy of the Eire Regulations may be obtained from the Government Publications Office, Molesworth Street, Dublin 2 and is available on line at http://www.finance.gov.ie or for the Isle of Man Regulations from http://www.gov.im/fsc/.